

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7297

BILL NUMBER: SB 511

DATE PREPARED: Jan 8, 2002

BILL AMENDED:

SUBJECT: Mandated Health Benefits Commission.

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: The bill establishes the Mandated Health Insurance Evaluation Commission for three years under the direction of the Legislative Council. It directs the Commission to study and collect information concerning the social, medical, and financial aspects of legislative proposals that include a mandate for health insurance coverage and it directs the Legislative Services Agency to post the reports and other documents approved by the Commission on the Internet, and to include a reference to relevant Commission-approved documents in related fiscal impact statements.

Effective Date: July 1, 2002.

Explanation of State Expenditures: The bill establishes a 14-member commission, the Mandated Health Insurance Services Evaluation Commission, to analyze health benefits that are mandated in proposed legislation. Four of the 14 members would be legislators, and 10 would be lay members, including two representatives each of small business, physician providers, and consumers, and one representative each of the insurance industry, labor, an independent actuarial firm, and a consumer advocacy group. The Commission would work under the direction of the Legislative Council, and the Legislative Services Agency (LSA) would provide the administrative support for the Commission. The Commission would be required to meet at least once a month.

The Commission, as provided for in this bill, would collect information concerning the social, medical, and financial impact of legislative proposals that mandate health insurance services. The bill also would allow the Commission to have prepared an actuarial analysis, conducted under actuarial standards of practice adopted by the Actuarial Standards Board of the American Academy of Actuaries, of the mandated health insurance service. The fiscal impact of this bill on State General Funds is estimated at between \$203,400 and \$293,400.

Lay members are entitled to a per diem of \$75 and travel expenses, state employees who are members of the

Commission would be reimbursed for travel expenses, and legislative members of the Commission would receive a per diem of \$112 and travel expenses. Assuming that all 14 members attend 12 meetings a year and that none of the members are state employees, the expenditure for per diem would be \$14,400, not including travel costs.

There were six bills mandating health insurance services filed in 2000 and ten filed in 2001. This does not represent all of the preliminary drafts that were prepared by the LSA in these years. It is estimated that two full-time analysts from the LSA would be required to staff the Commission. This estimate is based on a comparative analysis completed by LSA with other states which conduct analyses of the fiscal impact of mandated benefits or who require an actuary to analyze mandated health benefits. The states contacted were Hawaii, Ohio, and Virginia. The costs for salaries, fringe benefits, and indirect costs of the LSA positions are estimated at \$99,000.

In addition, information from the Teacher's Retirement Fund and from the Indianapolis Metropolitan Statistical Area indicates that annual wages for an actuary would range from \$68,500 to \$69,330, not including benefits. The State of Ohio enacted similar legislation on October 19, 2000. According to an analysis of the legislation provided by their Legislative Budget Office, costs for actuarial services would be between \$15,000 and \$30,000 per bill. Assuming six bills a year are analyzed (or one actuary is hired by the Committee), costs for actuarial services would be between \$90,000 to \$180,000.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Legislative Services Agency.

Local Agencies Affected:

Information Sources: Ohio Legislative Budget Office, Hawaii Legislative Auditor's Office, Virginia Department of Insurance; Indiana State Library Reference Section.